

HICKMAN COUNTY, KENTUCKY

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

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Independent Auditor's Report

Honorable Gregory D. Pruitt,
County Judge/Executive
Members of the Hickman County
Fiscal Court

We have audited the accompanying financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of Hickman County, Kentucky, as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Hickman County Fiscal Court's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Audit Guide for Fiscal Court Audits* issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Hickman County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position – modified cash basis of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of Hickman County, Kentucky, as of June 30, 2005, and the respective changes in financial position – modified cash basis and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The budgetary comparison information on pages 20-22 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Hickman County, Kentucky has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States has determined necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hickman County, Kentucky's basic financial statements. The combining and individual nonmajor fund financial statements on pages 23-24 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of Hickman County, Kentucky. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 12, 2005, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

Williams, Williams & Lenty, LLP

August 12, 2005

**HICKMAN COUNTY, KENTUCKY
SCHEDULE OF COUNTY OFFICIALS
JUNE 30, 2005**

FISCAL COURT MEMBERS

Greg Pruitt, County Judge/Executive

Gary Jones, Magistrate

Tommy Roberts, Magistrate

Irvin Stroud, Magistrate

OTHER ELECTED OFFICIALS

Thomas Bugg, County Attorney

Robert Tarver, Jailer

Sophia Barclay, County Clerk

Carolyn Kimbell, Circuit Court Clerk

J.W. Moran, Sheriff

Anita Mullins, Property Valuation Administrator

James Berry, Jr., Coroner

APPOINTED PERSONNEL

Carol Malugin, County Treasurer

Nancy Pruitt, Deputy Judge/Executive

Kristia Reynolds, 911 Administrator

Cathy Kellett, Jail Administrative Assistant

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2005

HICKMAN COUNTY, KENTUCKY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
JUNE 30, 2005

<u>ASSETS</u>	<u>Governmental Activities</u>	<u>Business-type Activity</u>	<u>Totals</u>
Cash	\$ 508,571	\$2,209	\$ 510,780
Investments	264,145	-	264,145
Capital assets - net of accumulated depreciation:			
Land	68,693	-	68,693
Roads and bridges	531,908	-	531,908
Buildings	4,800,915	-	4,800,915
Vehicles	88,433	-	88,433
Equipment	40,105	-	40,105
Construction in progress	58,525	-	58,525
Total assets	6,361,295	2,209	6,363,504
<u>LIABILITIES</u>			
Due within one year:			
Notes payable	3,239	-	3,239
Bonds payable	125,000	-	125,000
Due in more than one year:			
Notes payable	28,528	-	28,528
Bonds payable	3,775,000	-	3,775,000
Total liabilities	3,931,767	-	3,931,767
<u>NET ASSETS</u>			
Invested in capital assets net of related debt	1,656,812	-	1,656,812
Unrestricted	772,716	-	772,716
Restricted	-	2,209	2,209
TOTAL NET ASSETS	\$2,429,528	\$2,209	\$2,431,737

See notes to financial statements.

HICKMAN COUNTY, KENTUCKY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2005

<u>FUNCTIONS/PROGRAMS</u>	<u>Program Revenues</u>	
	<u>Charges for</u>	<u>Operating</u>
	<u>Services</u>	<u>Grants and</u>
		<u>Contributions</u>
Governmental Activities:	Expenses	
General government	\$ 745,908	\$ 83,051
Public safety	743,325	231,516
Health and sanitation	14,518	-
Emergency services	45,812	-
Highway and streets	929,559	300,996
Economic development	777,406	-
Debt service	196,100	-
		117,947
Total governmental activities	3,452,628	615,563
		2,868,590
Business-type Activity:		
Jail Canteen Fund	72,508	62,378
		-
TOTALS	\$3,525,136	\$677,941
		\$2,868,590

General revenues:

Taxes:

Property taxes levied for general purposes

Payments in lieu of taxes

Interest and dividends

Other

Total general revenues

Change in net assets

Net assets, July 1, 2004

NET ASSETS, JUNE 30, 2005

See notes to financial statements.

HICKMAN COUNTY, KENTUCKY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2005

<u>FUNCTIONS/PROGRAMS</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
Governmental Activities:			
General government	\$ 745,908	\$ 83,051	\$ 65,736
Public safety	743,325	231,516	578,269
Health and sanitation	14,518	-	1,121,328
Emergency services	45,812	-	74,066
Highway and streets	929,559	300,996	911,244
Economic development	777,406	-	-
Debt service	196,100	-	117,947
Total governmental activities	<u>3,452,628</u>	<u>615,563</u>	<u>2,868,590</u>
Business-type Activity:			
Jail Canteen Fund	<u>72,508</u>	<u>62,378</u>	<u>-</u>
TOTALS	<u><u>\$3,525,136</u></u>	<u><u>\$677,941</u></u>	<u><u>\$2,868,590</u></u>

General revenues:

Taxes:

Property taxes levied for general purposes

Payments in lieu of taxes

Interest and dividends

Other

Total general revenues

Change in net assets

Net assets, July 1, 2004

NET ASSETS, JUNE 30, 2005

See notes to financial statements.

**Net (Expense) Revenue and
Changes in Net Assets**

Governmental Activities	Business-type Activity	Total
\$ (597,121)	\$ -	\$ (597,121)
66,460	-	66,460
1,106,810	-	1,106,810
28,254	-	28,254
282,681	-	282,681
(777,406)	-	(777,406)
(78,153)	-	(78,153)
<u>31,525</u>	<u>-</u>	<u>31,525</u>
<u>-</u>	<u>(10,130)</u>	<u>(10,130)</u>
<u>31,525</u>	<u>(10,130)</u>	<u>21,395</u>
283,657	-	283,657
32,182	-	32,182
11,996	-	11,996
52,907	-	52,907
<u>380,742</u>	<u>-</u>	<u>380,742</u>
412,267	(10,130)	402,137
<u>2,017,262</u>	<u>12,264</u>	<u>2,029,526</u>
<u>\$2,429,529</u>	<u>\$ 2,134</u>	<u>\$2,431,663</u>

BASIC FINANCIAL STATEMENTS

FUND FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2005

HICKMAN COUNTY, KENTUCKY
BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2005

<u>ASSETS</u>	<u>General Fund</u>	<u>Road Fund</u>
Cash	\$ 181,172	\$283,298
Investments	-	-
TOTAL ASSETS	<u><u>\$ 181,172</u></u>	<u><u>\$283,298</u></u>

<u>FUND BALANCES</u>		
Fund Balances:		
Unreserved		
General fund	\$ 181,172	\$ -
Special revenue funds	-	283,298
Debt service	-	-
Capital projects	-	-
TOTAL FUND BALANCES	<u><u>\$ 181,172</u></u>	<u><u>\$283,298</u></u>

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS:

Total fund balances - governmental funds

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds balance sheet.

Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds balance sheet. The long-term liabilities are:

Bonds outstanding	\$(3,900,000)
Notes payable	<u>(31,767)</u>

NET ASSETS OF GOVERNMENTAL ACTIVITIES

See notes to financial statements.

Jail Fund	Courthouse Annex Sinking Fund	Detention Center Sinking Fund	Building Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 21	\$ 712	\$ 429	\$7,252	\$35,687	\$ 508,571
-	122,756	141,389	-	-	264,145
<u>\$ 21</u>	<u>\$123,468</u>	<u>\$141,818</u>	<u>\$7,252</u>	<u>\$35,687</u>	<u>\$ 772,716</u>

\$ -	\$ -	\$ -	\$ -	\$ -	\$ 181,172
21	-	-	-	35,687	319,006
-	123,468	141,818	-	-	265,286
-	-	-	7,252	-	7,252
<u>\$ 21</u>	<u>\$123,468</u>	<u>\$141,818</u>	<u>\$7,252</u>	<u>\$35,687</u>	<u>\$ 772,716</u>

\$ 772,716

5,588,579

(3,931,767)

\$ 2,429,528

HICKMAN COUNTY, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	General Fund	Road Fund	Jail Fund	Courthouse Annex Sinking Fund
Revenues:				
Property taxes	\$283,657	\$ -	\$ -	\$ -
Payments in lieu of taxes	32,182	-	-	-
Intergovernmental	58,302	911,244	578,269	117,947
Charges for services	81,613	97,002	231,516	-
Interest and dividends	1,381	4,573	290	2,545
Fees and fines	1,438	203,994	-	-
Miscellaneous revenues	36,486	3,494	4,382	-
Total revenues	495,059	1,220,307	814,457	120,492
Expenditures:				
General government	382,304	-	-	-
Public safety	67,273	-	605,618	-
Health and sanitation	1,396	-	-	-
Emergency services	-	-	-	-
Highway and streets	-	864,800	-	-
Economic development	10,255	-	-	-
Capital outlay	-	216,400	-	-
Debt service	5,066	-	-	120,332
Administration	125,729	75,992	110,797	-
Total expenditures	592,023	1,157,192	716,415	120,332
Revenues over (under) expenditures before other financing sources (uses)	(96,964)	63,115	98,042	160
Other Financing Sources (Uses):				
Transfers in	232,013	87,093	133,891	-
Transfers out	(158,726)	(257,271)	(231,923)	-
Total other financing sources (uses)	73,287	(170,178)	(98,032)	-
Revenues over (under) expenditures	(23,677)	(107,063)	10	160
Fund balances, July 1, 2004	204,849	390,361	11	123,308
FUND BALANCES, JUNE 30, 2005	\$181,172	\$ 283,298	\$ 21	\$123,468

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES:**

Net change in fund balance-total governmental funds

Capital outlay in current period

Depreciation expense

Principal payments on long-term debt

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES

See notes to financial statements.

HICKMAN COUNTY, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	General Fund	Road Fund	Jail Fund	Courthouse Annex Sinking Fund
Revenues:				
Property taxes	\$283,657	\$ -	\$ -	\$ -
Payments in lieu of taxes	32,182	-	-	-
Intergovernmental	58,302	911,244	578,269	117,947
Charges for services	81,613	97,002	231,516	-
Interest and dividends	1,381	4,573	290	2,545
Fees and fines	1,438	203,994	-	-
Miscellaneous revenues	36,486	3,494	4,382	-
Total revenues	495,059	1,220,307	814,457	120,492
Expenditures:				
General government	382,304	-	-	-
Public safety	67,273	-	605,618	-
Health and sanitation	1,396	-	-	-
Emergency services	-	-	-	-
Highway and streets	-	864,800	-	-
Economic development	10,255	-	-	-
Capital outlay	-	216,400	-	-
Debt service	5,066	-	-	120,332
Administration	125,729	75,992	110,797	-
Total expenditures	592,023	1,157,192	716,415	120,332
Revenues over (under) expenditures before other financing sources (uses)	(96,964)	63,115	98,042	160
Other Financing Sources (Uses):				
Transfers in	232,013	87,093	133,891	-
Transfers out	(158,726)	(257,271)	(231,923)	-
Total other financing sources (uses)	73,287	(170,178)	(98,032)	-
Revenues over (under) expenditures	(23,677)	(107,063)	10	160
Fund balances, July 1, 2004	204,849	390,361	11	123,308
FUND BALANCES, JUNE 30, 2005	\$181,172	\$ 283,298	\$ 21	\$123,468

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES:**

Net change in fund balance-total governmental funds
Capital outlay in current period
Depreciation expense
Principal payments on long-term debt
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES

See notes to financial statements.

Detention Center Sinking Fund	Building Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 283,657
-	-	-	32,182
-	1,121,328	81,500	2,868,590
-	-	-	410,131
2,714	246	247	11,996
-	-	-	205,432
-	-	8,545	52,907
<u>2,714</u>	<u>1,121,574</u>	<u>90,292</u>	<u>3,864,895</u>
-	-	-	382,304
-	-	-	672,891
-	1,636	-	3,032
-	-	38,480	38,480
-	-	-	864,800
-	767,151	-	777,406
-	392,263	58,525	667,188
193,765	-	-	319,163
-	-	2,879	315,397
<u>193,765</u>	<u>1,161,050</u>	<u>99,884</u>	<u>4,040,661</u>
<u>(191,051)</u>	<u>(39,476)</u>	<u>(9,592)</u>	<u>(175,766)</u>
279,718	-	27,990	760,705
<u>(86,804)</u>	<u>-</u>	<u>(25,981)</u>	<u>(760,705)</u>
<u>192,914</u>	<u>-</u>	<u>2,009</u>	<u>-</u>
1,863	(39,476)	(7,583)	(175,766)
<u>139,955</u>	<u>46,728</u>	<u>43,270</u>	<u>948,482</u>
<u>\$141,818</u>	<u>\$ 7,252</u>	<u>\$ 35,687</u>	<u>\$ 772,716</u>

\$ (175,766)

667,188

(202,219)

123,063

\$ 412,266

HICKMAN COUNTY, KENTUCKY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
PROPRIETARY FUND
JUNE 30, 2005

<u>ASSETS</u>		Jail Canteen Fund
Cash		<u>\$2,209</u>
TOTAL ASSETS		<u><u>\$2,209</u></u>
 <u>NET ASSETS</u>		
Restricted		<u>\$2,209</u>
TOTAL NET ASSETS		<u><u>\$2,209</u></u>

See notes to financial statements.

HICKMAN COUNTY, KENTUCKY
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS - MODIFIED CASH BASIS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2005

	Jail Canteen Fund
Operating Revenues:	
Canteen receipts	<u>\$62,378</u>
Operating Expenses:	
Canteen disbursements	<u>72,508</u>
Operating income	(10,130)
Nonoperating revenues:	
Interest income	<u>75</u>
Increase in net assets	(10,055)
Net assets, July 1, 2004	<u>12,264</u>
NET ASSETS, JUNE 30, 2005	<u><u>\$ 2,209</u></u>

See notes to financial statements.

HICKMAN COUNTY, KENTUCKY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2005

	Jail Canteen Fund
Cash Flows from Operating Activities:	
Cash received from customers	\$ 62,378
Cash payments for cost of sales and other benefits	<u>(72,508)</u>
Net cash used in operating activities	(10,130)
Cash Flows from Investing Activities:	
Interest received	<u>75</u>
Net decrease in cash	(10,055)
Cash at July 1, 2004	<u>12,264</u>
CASH AT JUNE 30, 2005	<u><u>\$ 2,209</u></u>

Note: There are no reconciling items between operating income and net cash used in operations.

See notes to financial statements.

HICKMAN COUNTY, KENTUCKY
STATEMENT OF NET ASSETS
FIDUCIARY FUND
JUNE 30, 2005

<u>ASSETS</u>		Inmate Trust Fund
Cash		<u>\$3,834</u>
TOTAL ASSETS		<u><u>\$3,834</u></u>
<u>LIABILITIES</u>		
Held in trust for inmates		<u>\$3,834</u>
TOTAL LIABILITIES		<u><u>\$3,834</u></u>

See notes to financial statements.

HICKMAN COUNTY, KENTUCKY

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2005

HICKMAN COUNTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

Note 1 - Summary of Significant Accounting Policies:

Basis of Accounting

The County utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Notes payable and bonds payable are recognized on the Statement of Net Assets, but notes payable and bonds payable are not included and recognized on the Balance Sheet - Governmental Funds.

The State Local Finance Officer does not require the County to report capital assets and infrastructure; however, the value of these assets are included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

Reporting Entity

In evaluating how to define the County for financial reporting purposes, management has considered all potential component units. The criteria for including a potential component unit within the reporting entity are (1) its ability to exercise oversight responsibility, (2) its scope of public service, and (3) its special financing relationships. Based upon these criteria, the Hickman County Public Properties Corporation has been included as a component unit.

The Hickman County Public Properties Corporation has been presented as a blended component unit because the component unit's governing body is substantially the same as the governing body of the County. The Corporation is the issuing body for the public property revenue bonds for the courthouse facilities. The Corporation is also responsible for the Debt Service Sinking Funds for the bond issue.

Measurement Focus

In the government-wide and enterprise fund financial statements, the economic resources measurement focus is used as defined in item b. below.

In the governmental funds financial statements, the current financial resources measurement focus is used as defined in item a. below.

- a. Under the "current financial resources" measurement focus, only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The "economic resources" measurement focus accounting objectives are the determination of operating income, changes in net assets (or cost recovery), and financial position. All assets and liabilities (whether current or non-current) associated with their activities are reported.

Fiduciary funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all governmental activities of the primary government. Interfund activities have been

(Continued)

**HICKMAN COUNTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

Note 1 - Summary of Significant Accounting Policies:

Government-wide and Fund Financial Statements

removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from the business-type activity, which relies to a significant extent on sales for support.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities with the difference between the two shown as net assets. Net assets are reported in three categories: 1) invested in capital assets net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by debt related to the acquisition, construction or improvement of those assets. 2) Restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation. 3) Unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions, which consist of monies from the state of Kentucky and federal agencies. General revenues consist of taxes, interest and dividends on investments, fees and fines, other miscellaneous revenues.

Funds are characterized as either major or nonmajor funds. Major funds are those funds whose assets, liabilities, revenues, or expenditures are at least ten percent of the corresponding total (assets, liabilities, revenues, or expenditures) for all funds of that category or type (governmental or proprietary funds) and whose total assets, liabilities, revenues or expenditures are at least five percent of the corresponding total for all governmental and proprietary funds combined. The Fiscal Court may also designate any fund as a major fund.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

The government reports the following major governmental funds:

General Fund – This is the primary operating fund of the Fiscal Court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund – This fund is for road and bridge construction and repair. The primary source of revenue for this fund is licenses and permits and county road aid grants, and transfers from the General Fund. The Department for Local Government requires the Fiscal Court to maintain these receipts and expenditures separately from the General Fund.

Jail Fund – The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of revenue for this fund are reimbursements from the state and federal government, other counties for housing prisoners and transfers from the General Fund. The Department for Local Government requires the Fiscal Court to maintain these receipts and expenditures separately from the General Fund.

Courthouse Annex Sinking Fund – The primary purpose of this fund is to account for the accumulation of resources for and the payment of interest and principal on the bond issues outstanding.

(Continued)

**HICKMAN COUNTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

Note 1 - Summary of Significant Accounting Policies:

Government-wide and Fund Financial Statements

Detention Center Sinking Fund – The primary purpose of this fund is to account for the accumulation of resources for and the payment of interest and principal on the bond issues outstanding.

Building Construction Fund - The primary purpose of this fund is to account for acquisition of major capital facilities. The primary sources of revenue for this fund are state and federal grants, and transfers from the General Fund. The Department for Local Government requires the Fiscal Court to maintain these receipts and expenditures separately from the General Fund.

The government reports the following nonmajor funds:

DES Fund – The primary purpose of this fund is to account for the Disaster and Emergency Services (DES) expenses of the county. The primary sources of revenue for this fund are reimbursements from the state government, and transfers from the General Fund. The Department for Local Government requires the Fiscal Court to maintain these receipts and expenditures separately from the General Fund.

Ambulance Fund – The primary purpose of this fund is to account for the maintenance and upkeep of the ambulance storage facilities. The primary sources of revenue for this fund are state and federal grants, and transfers from the General Fund. The Department for Local Government requires the Fiscal Court to maintain these receipts and expenditures separately from the General Fund.

Local Government Economic Assistance Fund - The primary purpose of this fund is to account for the Local Government Economic Assistance Fund grants from the state and federal governments for economic assistance. The Department for Local Government requires the Fiscal Court to maintain these receipts and expenditures separately from the General Fund.

Book Restoration Fund - The purpose of this fund is to account for grant funds from the Commonwealth of Kentucky for book restoration.

Homeland Security Fund - The primary purpose of this fund is to account for grants from the state and federal governments for homeland security preparedness. The Department for Local Government requires the Fiscal Court to maintain these receipts and expenditures separately from the General Fund.

The government reports the following proprietary fund:

Jail Canteen Fund – This fund is used to account for the purchase and resale of snacks, sodas, and other items to inmates; as well as the use of profits generated from these activities, pursuant to KRS 441.135(1)(2).

The government reports the following fiduciary fund, which is not included in the government-wide statements:

Inmate Trust Fund – This fund is a holding account for the inmates' monies while in the jail system.

Cash and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

(Continued)

HICKMAN COUNTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

Note 1 - Summary of Significant Accounting Policies:

Cash and Investments

KRS 66.480 authorizes the County to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Capital Assets

Capital assets, which include land, land improvements, buildings, vehicles, roads and bridges and equipment that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the governmental activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed. Assets capitalized have an original cost of \$2,500 or more.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land is not depreciated. Construction in progress is not depreciated until the asset is completed and placed in service. Interest incurred during construction is not capitalized. Capital assets are depreciated using the straight-line method over the estimated useful lives of the assets. The estimated useful lives are:

Roads and bridges	10-50 years
Buildings	10-75 years
Vehicles	3-15 years
Equipment	3-10 years

Long-Term Obligations

In the government-wide financial statements, the principal amount of notes and bonds payable are reported as liabilities and related interest payments are reported as an expense.

In the fund financial statements, note and bond interest and principal payments are reported as expenditures when paid and no related liabilities are reported.

Equity Classifications

Government-wide Statements

Net assets are displayed in two components:

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and related debt outstanding on bond issues.
- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

(Continued)

HICKMAN COUNTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

Note 1 - Summary of Significant Accounting Policies:

Equity Classifications

Fund Financial Statements

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. As of June 30, 2005, the County reported only unreserved fund balance. There were no reservations for encumbrances.

Budgetary Information

The budget is adopted on a cash basis of accounting and laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the Fiscal Court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the Fiscal Court by July 1. The Fiscal Court may change the original budget by transferring appropriations at the activity level, but may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

Related Organizations

County officials are also responsible for appointing the members of boards of other organizations, but the County's accountability for these organizations does not extend beyond appointing authority. The organizations listed below are notable related organizations, which have not been included in the County's report.

Hickman County Industrial Development Authority
Columbus Fire District

Note 2 – Deposits with Financial Institutions:

Deposits

At June 30, 2005, the carrying amount of the County's cash in bank was \$510,780 and the bank balance was \$603,534. Of the bank's balance, \$200,000 was covered by FDIC insurance, and the remaining \$403,534 was subject to custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned to it. The County does not have a deposit policy for custodial risk. As of June 30, 2005, \$30,026 was uninsured and collateralized with securities held by the pledging bank's agent not in the County's name, and \$373,508 was covered by a guaranty bond held in the County's name.

Investments

The County's investments consist of certificates of deposit subject to custodial credit risk. At June 30, 2005, the \$264,145 of certificates of deposit was uninsured and collateralized with securities held by the pledging bank's agent not in the County's name.

(Continued)

HICKMAN COUNTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

Note 3 – Capital Assets:

	<u>Balance</u> <u>July 1, 2004</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2005</u>
Governmental Activities:				
Acquisition Cost:				
Land	\$ 68,693	\$ -	\$ -	\$ 68,693
Construction in progress	124,596	450,788	516,859	58,525
Buildings	5,394,000	516,859	-	5,910,859
Equipment	60,508	-	-	60,508
Vehicles	633,619	7,500	-	641,119
Roads and bridges	<u>383,421</u>	<u>208,900</u>	<u>-</u>	<u>592,321</u>
Total capital assets	<u>6,664,837</u>	<u>1,184,047</u>	<u>516,859</u>	<u>7,332,025</u>
Accumulated Depreciation:				
Buildings	978,480	131,464	-	1,109,944
Equipment	10,389	10,014	-	20,403
Vehicles	521,367	31,319	-	552,686
Roads and bridges	<u>30,991</u>	<u>29,422</u>	<u>-</u>	<u>60,413</u>
Total accumulated depreciation	<u>1,541,227</u>	<u>202,219</u>	<u>-</u>	<u>1,743,446</u>
NET CAPITAL ASSETS	<u>\$5,123,610</u>	<u>\$ 981,828</u>	<u>\$ 516,859</u>	<u>\$5,588,579</u>

The following amounts of depreciation expense were charged to their corresponding activity; \$48,208 was charged to general government, \$70,434 to public safety, \$7,332 to emergency services, \$64,759 to highways and streets, and \$11,486 to health and sanitation.

Note 4 – Detention Center Bonds Payable:

Hickman County Fiscal Court entered into a bond issue, Hickman County General Obligation Improvement Bonds (Detention Facilities Project) Series 1999, on April 1, 1999, for the purpose of financing the acquisition, construction, and improvement of the Detention Facilities. This bond issue also establishes a debt reserve "to secure the timely payment of said Bonds". The issue amount of the bonds was \$2,820,000. The bonds began maturing October 1, 1999. The outstanding balance as of June 30, 2005, was \$2,470,000. Bond principal and interest requirements due in the next five years and in five-year increments thereafter are:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
2006	\$ 80,000	\$ 115,200	\$ 195,200
2007	80,000	111,520	191,520
2008	85,000	107,725	192,725
2009	90,000	103,700	193,700
2010	95,000	99,445	194,445
2011-2015	525,000	428,225	953,225
2016-2020	660,000	292,640	952,640
2021-2025	<u>855,000</u>	<u>111,375</u>	<u>966,375</u>
TOTALS	<u>\$2,470,000</u>	<u>\$1,369,830</u>	<u>\$3,839,830</u>

(Continued)

HICKMAN COUNTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

Note 5 – Courthouse Facilities Bonds Payable:

Hickman County Public Properties Corporation entered into a bond issue, Hickman County, Kentucky, Public Properties Corporation First Mortgage Revenue Bonds (Courthouse Annex Facilities Project) Series 1999, on July 1, 1999, for the purpose of financing the acquisition and construction of an annex to the courthouse. The issue amount of the bonds was \$1,640,000. The bonds began maturing March 1, 2000. The Administrative Office of the Courts (AOC) is responsible for 89% of the cost of the bonds. The Public Properties Corporation is responsible for the remaining balance of the cost. The outstanding balance as of June 30, 2005, was \$1,430,000. Bond principal and interest requirements due in the next five years and in five-year increments thereafter are:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
2006	\$ 45,000	\$ 73,216	\$ 118,216
2007	50,000	71,102	121,102
2008	50,000	68,752	118,752
2009	55,000	66,302	121,302
2010	55,000	63,606	118,606
2011-2015	325,000	273,192	598,192
2016-2020	420,000	180,834	600,834
2021-2023	430,000	52,240	482,240
TOTALS	<u>\$1,430,000</u>	<u>\$849,244</u>	<u>\$2,279,244</u>

Note 6 – Lease Agreement:

On April 1, 1998, Hickman County Fiscal Court entered into a lease purchase agreement with Clinton Bank for the remaining balance left on the installation of the courthouse elevator. Total cost of the installation was \$150,000 of which the Administrative Office of the Courts paid \$100,000. The remaining balance of \$50,000 was to be paid annually in various principal payment amounts by the Hickman County Fiscal Court at an interest rate of 5.75 percent for a period of 15 years. Lease principal and interest requirements due in the next five years, and in five-year increments thereafter are:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
2006	\$ 3,239	\$ 1,827	\$ 5,066
2007	3,425	1,640	5,065
2008	3,618	1,447	5,065
2009	3,830	1,235	5,065
2010	4,051	1,015	5,066
2011-2013	13,604	1,595	15,199
TOTALS	<u>\$31,767</u>	<u>\$8,759</u>	<u>\$40,526</u>

Note 7 – Changes in Long-Term Liabilities:

The following is a summary of changes in long-term liabilities for the year ended June 30, 2005:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds payable	\$4,020,000	\$ -	\$120,000	\$3,900,000	\$125,000
Lease payable	34,830	-	3,063	31,767	3,239
TOTALS	<u>\$4,054,830</u>	<u>\$ -</u>	<u>\$123,063</u>	<u>\$3,931,767</u>	<u>\$128,239</u>

Interest expense charged to the Debt Service Fund for the year ended June 30, 2005, was \$196,100.

(Continued)

HICKMAN COUNTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

Note 8 - Employee Retirement System:

The County participates in the County Employee's Retirement System (CERS), a cost-sharing multiple-employer defined benefit plan. The plan provides retirement and disability benefits, cost of living adjustments, and death benefits to plan members and beneficiaries. The Kentucky Revised Statutes provided for the establishment of the system and benefit amendments are authorized by the State legislature. The plan issues a publicly available financial report that includes financial statements and required supplementary information for the plan. The report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601-6124 or by calling (502) 564-4646.

Funding Policies

Non-hazardous plan members of CERS are required to contribute 5.00% of their annual covered salary and the County provided a contribution of 8.48%, 7.34%, and 6.34% for the years ended 2005, 2004, and 2003, respectively. These actuarially determined rates are established and amended by the Board of Trustees of the system and were equal to the required contributions for the years stated. The contribution requirement and the amounts contributed to CERS were \$132,886, \$111,886, and \$99,218 for the years ended 2005, 2004, and 2003, respectively.

Note 9 - Insurance and Related Activities:

For the fiscal year ended June 30, 2005, Hickman County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public official's errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 10 - Commitments:

As of June 30, 2005, the County had a construction commitment with McKinney Construction Co., Inc. for the renovation of an economic development project. The total contract sum was \$978,325 of which \$762,904 has been paid leaving a remaining commitment of \$215,421 at June 30, 2005. The renovations are in turn donated to the Hickman County Industrial Development Authority, a related party.

REQUIRED SUPPLEMENTARY INFORMATION

HICKMAN COUNTY, KENTUCKY
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2005

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amount	Final Budget -
				Positive
				(Negative)
Revenues:				
Taxes:				
Property taxes	\$ 236,878	\$314,916	\$283,657	\$ (31,259)
Occupational taxes	2,024	2,158	-	(2,158)
Payments in lieu of taxes	30,309	32,182	32,182	-
Intergovernmental	-	56,500	58,302	1,802
Charges for services	52,516	57,500	81,613	24,113
Miscellaneous:				
Interest and dividends	1,962	1,962	1,381	(581)
Miscellaneous revenues	20,418	38,891	37,924	(967)
Total revenues	<u>344,107</u>	<u>504,109</u>	<u>495,059</u>	<u>(9,050)</u>
Expenditures:				
General government	339,855	390,847	382,304	8,543
Public safety	54,355	67,659	67,273	386
Health and sanitation	1,954	1,954	1,396	558
Economic development	-	10,255	10,255	-
Debt service	5,066	5,066	5,066	-
Administration	129,135	142,504	125,729	16,775
Total expenditures	<u>530,365</u>	<u>618,285</u>	<u>592,023</u>	<u>26,262</u>
Revenues over (under) expenditures before other financing sources (uses)	<u>(186,258)</u>	<u>(114,176)</u>	<u>(96,964)</u>	<u>17,212</u>
Other Financing Sources (Uses):				
Transfers in	170,178	170,178	232,013	61,835
Transfers out	(89,331)	(161,413)	(158,726)	2,687
Total other financing sources (uses)	<u>80,847</u>	<u>8,765</u>	<u>73,287</u>	<u>64,522</u>
Net change in fund balance	(105,411)	(105,411)	(23,677)	81,734
Fund balance, July 1, 2004	<u>105,411</u>	<u>105,411</u>	<u>204,849</u>	<u>99,438</u>
FUND BALANCE, JUNE 30, 2005	<u>\$ -</u>	<u>\$ -</u>	<u>\$181,172</u>	<u>\$181,172</u>

HICKMAN COUNTY, KENTUCKY
BUDGETARY COMPARISON SCHEDULE - ROAD FUND - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2005

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amount	Final Budget -
				Positive
				(Negative)
Revenues:				
Intergovernmental	\$1,000,403	\$1,193,303	\$ 911,244	\$(282,059)
Charges for services	-	-	97,002	97,002
Miscellaneous:				
Interest and dividends	1,984	3,798	4,573	775
Fees and fines	194,583	207,751	203,994	(3,757)
Miscellaneous revenues	11,561	13,958	3,494	(10,464)
Total revenues	1,208,531	1,418,810	1,220,307	(198,503)
Expenditures:				
Highway and streets	1,312,076	1,504,976	864,800	640,176
Capital outlay	-	-	216,400	(216,400)
Administration	86,816	134,017	75,992	58,025
Total expenditures	1,398,892	1,638,993	1,157,192	481,801
Revenues over (under) expenditures before other financing sources (uses)	(190,361)	(220,183)	63,115	283,298
Other Financing Sources (Uses):				
Transfers in	-	-	87,093	87,093
Transfers out	(170,178)	(170,178)	(257,271)	(87,093)
Total other financing sources (uses)	(170,178)	(170,178)	(170,178)	-
Net changes in fund balance	(360,539)	(390,361)	(107,063)	283,298
Fund balance, July 1, 2004	360,539	390,361	390,361	-
FUND BALANCE, JUNE 30, 2005	\$ -	\$ -	\$ 283,298	\$ 283,298

HICKMAN COUNTY, KENTUCKY
BUDGETARY COMPARISON SCHEDULE - JAIL FUND - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2005

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amount	Final Budget -
				Positive
				(Negative)
Revenues:				
Intergovernmental	\$539,401	\$573,238	\$578,269	\$ 5,031
Charges for services	249,571	267,041	231,516	(35,525)
Miscellaneous:				
Interest and dividends	750	750	290	(460)
Miscellaneous revenues	24,049	25,111	4,382	(20,729)
Total revenues	813,771	866,140	814,457	(51,683)
Expenditures:				
Public safety	564,180	618,117	605,618	12,499
Administration	143,925	135,497	110,797	24,700
Total expenditures	708,105	753,614	716,415	37,199
Revenues over (under) expenditures before other financing sources (uses)	105,666	112,526	98,042	(14,484)
Other Financing Sources (Uses):				
Transfers in	88,099	88,099	133,891	45,792
Transfers out	(193,765)	(200,636)	(231,923)	(31,287)
Total other financing sources (uses)	(105,666)	(112,537)	(98,032)	14,505
Net changes in fund balance	-	(11)	10	21
Fund balance, July 1, 2004	-	11	11	-
FUND BALANCE, JUNE 30, 2005	\$ -	\$ -	\$ 21	\$ 21

HICKMAN COUNTY, KENTUCKY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2005

Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the Fiscal Court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the Fiscal Court by July 1.

The Fiscal Court may change the original budget by transferring appropriations at the activity level; however, the Fiscal Court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

SUPPLEMENTARY INFORMATION

HICKMAN COUNTY, KENTUCKY
COMBINING BALANCE SHEET - MODIFIED CASH BASIS
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2005

	<u>ASSETS</u>	DES Fund	Ambulance Fund	LGEA Fund	Book Restoration Fund
Cash		<u>\$15,091</u>	<u>\$12,914</u>	<u>\$ 248</u>	<u>\$7,434</u>
Investments		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS		<u><u>\$15,091</u></u>	<u><u>\$12,914</u></u>	<u><u>\$ 248</u></u>	<u><u>\$7,434</u></u>
 <u>FUND BALANCES</u>					
Fund Balances:					
Unreserved					
Special revenue funds		<u>\$15,091</u>	<u>\$12,914</u>	<u>\$ 248</u>	<u>\$7,434</u>
TOTAL FUND BALANCES		<u><u>\$15,091</u></u>	<u><u>\$12,914</u></u>	<u><u>\$ 248</u></u>	<u><u>\$7,434</u></u>

See auditor's report on pages 1-2.

HICKMAN COUNTY, KENTUCKY
COMBINING BALANCE SHEET - MODIFIED CASH BASIS
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2005

	<u>ASSETS</u>	DES Fund	Ambulance Fund	LGEA Fund	Book Restoration Fund
Cash		<u>\$15,091</u>	<u>\$12,914</u>	<u>\$ 248</u>	<u>\$7,434</u>
Investments		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS		<u><u>\$15,091</u></u>	<u><u>\$12,914</u></u>	<u><u>\$ 248</u></u>	<u><u>\$7,434</u></u>
 <u>FUND BALANCES</u>					
Fund Balances:					
Unreserved					
Special revenue funds		<u>\$15,091</u>	<u>\$12,914</u>	<u>\$ 248</u>	<u>\$7,434</u>
TOTAL FUND BALANCES		<u><u>\$15,091</u></u>	<u><u>\$12,914</u></u>	<u><u>\$ 248</u></u>	<u><u>\$7,434</u></u>

See auditor's report on pages 1-2.

Homeland Security Fund	Total Nonmajor Governmental Funds
<u>\$ -</u>	<u>\$35,687</u>
<u>-</u>	<u>-</u>
<u><u>\$ -</u></u>	<u><u>\$35,687</u></u>

<u>\$ -</u>	<u>\$35,687</u>
<u><u>\$ -</u></u>	<u><u>\$35,687</u></u>

HICKMAN COUNTY, KENTUCKY
COMBINING STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	DES Fund	Ambulance Fund	LGEA Fund	Book Restoration Fund
Revenues:				
Intergovernmental	\$ 8,011	\$10,689	\$ -	\$7,434
Interest and dividends	120	127	-	-
Miscellaneous revenues	7,502	-	1,043	-
Total revenues	15,633	10,816	1,043	7,434
Expenditures:				
Emergency services	11,698	23,297	3,485	-
Capital outlay	-	-	-	-
Administration	2,879	-	-	-
Total expenditures	14,577	23,297	3,485	-
Revenues over (under) expenditures before other financing sources (uses)	1,056	(12,481)	(2,442)	7,434
Other Financing Sources (Uses):				
Transfers in	-	-	2,690	-
Transfers out	(3,840)	-	-	-
Total other financing sources (uses)	(3,840)	-	2,690	-
Net changes in fund balance	(2,784)	(12,481)	248	7,434
Fund balances, July 1, 2004	17,875	25,395	-	-
FUND BALANCES, JUNE 30, 2005	\$15,091	\$12,914	\$ 248	\$7,434

See auditor's report on pages 1-2.

HICKMAN COUNTY, KENTUCKY
COMBINING STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	DES Fund	Ambulance Fund	LGEA Fund	Book Restoration Fund
Revenues:				
Intergovernmental	\$ 8,011	\$10,689	\$ -	\$7,434
Interest and dividends	120	127	-	-
Miscellaneous revenues	7,502	-	1,043	-
Total revenues	15,633	10,816	1,043	7,434
Expenditures:				
Emergency services	11,698	23,297	3,485	-
Capital outlay	-	-	-	-
Administration	2,879	-	-	-
Total expenditures	14,577	23,297	3,485	-
Revenues over (under) expenditures before other financing sources (uses)	1,056	(12,481)	(2,442)	7,434
Other Financing Sources (Uses):				
Transfers in	-	-	2,690	-
Transfers out	(3,840)	-	-	-
Total other financing sources (uses)	(3,840)	-	2,690	-
Net changes in fund balance	(2,784)	(12,481)	248	7,434
Fund balances, July 1, 2004	17,875	25,395	-	-
FUND BALANCES, JUNE 30, 2005	\$15,091	\$12,914	\$ 248	\$7,434

See auditor's report on pages 1-2.

Homeland Security Fund	Total Nonmajor Governmental Funds
<u>\$55,366</u>	<u>\$81,500</u>
-	247
-	<u>8,545</u>
<u>55,366</u>	<u>90,292</u>
-	38,480
58,525	58,525
-	<u>2,879</u>
<u>58,525</u>	<u>99,884</u>
<u>(3,159)</u>	<u>(9,592)</u>
25,300	27,990
<u>(22,141)</u>	<u>(25,981)</u>
<u>3,159</u>	<u>2,009</u>
-	(7,583)
-	<u>43,270</u>
<u>\$ -</u>	<u>\$35,687</u>

HICKMAN COUNTY, KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005

<u>Federal Grantor/Pass-Through Grantor/ Program Title:</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor Number</u>	<u>Expenditures</u>
Department of Housing and Urban Development:			
Passed-through Kentucky Department for Local Government:			
Community Development Block Grants/ State's Program	14.228	04-028 01-062	<u>\$1,103,393</u>
Total Department of Housing and Urban Development			<u>1,103,393</u>
Department of Homeland Security:			
Passed-through Kentucky Office of Homeland Security:			
State Domestic Preparedness Equipment Support Program	97.004	M-04600546	21,460
Passed-through Kentucky Division of Emergency Management			
Homeland Security Preparedness Technical Assistance Program	97.007	M-03254738	<u>33,906</u>
Total Department of Homeland Security			<u>55,366</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$1,158,759</u></u>

See auditor's report on pages 1-2 and accompanying notes to the schedule of expenditures of federal awards.

HICKMAN COUNTY, KENTUCKY
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005

Note 1 - Basis of Presentation:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Hickman County, Kentucky and is presented on a modified cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

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**Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An
Audit Of Financial Statements Performed In
Accordance With *Government Auditing Standards***

Honorable Gregory D. Pruitt,
County Judge/Executive
Members of the Hickman County
Fiscal Court

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Hickman County, Kentucky, as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements and have issued our report thereon dated August 12, 2005. Hickman County, Kentucky prepares its financial statements in accordance with a modified cash basis of accounting which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Hickman County, Kentucky's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters that we reported to the management of Hickman County, Kentucky in a separate letter dated August 12, 2005.

This report is intended solely for the information and use of management, the Fiscal Court, the Kentucky Governor's Office for Local Development and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Williams, Williams & Lenty, LLP

August 12, 2005

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**Report On Compliance With Requirements Applicable
To Each Major Program And Internal Control Over
Compliance In Accordance With OMB Circular A-133**

Honorable Gregory D. Pruitt,
County Judge/Executive
Members of the Hickman County
Fiscal Court

Compliance

We have audited the compliance of Hickman County, Kentucky, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2005. Hickman County, Kentucky's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Hickman County, Kentucky's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Hickman County, Kentucky's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Hickman County, Kentucky's compliance with those requirements.

In our opinion, Hickman County, Kentucky complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2005.

Internal Control Over Compliance

The management of Hickman County, Kentucky, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Hickman County, Kentucky's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by

error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Williamis, Williamis & Lenty, LLP

August 12, 2005

HICKMAN COUNTY, KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of Hickman County, Kentucky.
2. No reportable conditions were disclosed during the audit of the basic financial statements of Hickman County, Kentucky.
3. No instances of noncompliance material to the basic financial statements of Hickman County, Kentucky were disclosed during the audit.
4. No reportable conditions were disclosed during the audit of the major federal awards program.
5. The auditor's report on compliance for the major federal awards program for Hickman County, Kentucky expresses an unqualified opinion.
6. There are no audit findings relative to the major federal awards program to be reported.
7. The program tested as a major program was:

<u>Name</u>	<u>CFDA</u>
Community Development Block Grant	14.228

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Hickman County, Kentucky was not determined to be a low-risk auditee.

B. FINDINGS – BASIC FINANCIAL STATEMENTS AUDITS

None

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARDS PROGRAM

None

